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E.O. 12356: N/A
TAGS: EPET, EINV, KALR, CO
SUBJECT: FOREIGN PETROLEUM COMPANIES MEET WITH ENERGY
MINISTER ON DECREES 128 AND 196

REFS: (A) BOGOTA 992 ✓
(B) BOGOTA 770 ✓
(C) BOGOTA 766 ✓
(D) BOGOTA 610 ✓

1. SUMMARY: IN A MEETING WITH ENERGY MINISTER DUQUE, THE FOREIGN OIL COMPANIES STRONGLY PROTESTED DECREES 128 AND 196, BUT THE DISPUTE BETWEEN THE COMPANIES AND THE GOC REMAINS UNRESOLVED. THE AMBASSADOR'S VIEWS ON THE BILATERAL IMPLICATIONS OF THIS PROBLEM FOLLOWS SEPTTEL. END SUMMARY.

2. THE ASSOCIATION OF FOREIGN PETROLEUM COMPANIES IN COLOMBIA (CIIP) MET WITH MINISTER OF MINES AND ENERGY DUQUE ON JANUARY 23 TO PROTEST DECREES 128 AND 196 WHICH GIVE ECOPETROL OPERATIONAL CONTROL OF NEW PIPELINES AND LIMITED OFFICIAL USE

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FIRST REFUSAL ON ALL OIL FOR EXPORT (REFTELS).

3. ACCORDING TO REPORTS FROM SEVERAL PETROLEUM COMPANY PARTICIPANTS, OCCIDENTAL MADE A FORCEFUL PRESENTATION

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J. OLSON
DATE/CASE ID: 24 OCT 2002 200201334

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THAT THE DECREES ARE CONTRARY TO THE BASIC PETROLEUM LAW AND A VIOLATION NOT ONLY OF THE OCCIDENTAL ASSOCIATION CONTRACT, BUT ALSO OF THE MORE THAN 60 OTHER ASSOCIATION CONTRACTS ECOPETROL HAS WITH FOREIGN OIL COMPANIES. MINISTER DUQUE SAID THE ASSOCIATION CONTRACT DOES NOT SPECIFICALLY GIVE OCCIDENTAL THE RIGHT TO OPERATE THE CANO LIMON-COVENAS PIPELINE, AND HE CHALLENGED OCCIDENTAL TO PROVE THEIR CLAIM TO OPERATOR RIGHTS. THE OCCIDENTAL SPOKESMAN THEN PRODUCED AN EXCHANGE OF LETTERS IN WHICH OCCIDENTAL HAD WRITTEN TO ECOPETROL ASKING FOR AN OPERATOR CONTRACT AND ECOPETROL HAD RESPONDED THAT NO SPECIAL CONTRACT WAS NEEDED BECAUSE OPERATOR RIGHTS WERE IMPLIED IN THE ASSOCIATION CONTRACT.

4. THE TEXACO GENERAL MANAGER, WHO IS CURRENTLY CHAIRMAN OF THE CIIP, ALSO SPOKE STRONGLY AGAINST THE DECREES AS A BASIC CHANGE IN THE RULES OF THE GAME WHICH HAVE BEEN OBSERVED BY SUCCESSIVE GOC'S FOR THE PAST 30 YEARS.

5. OTHER OIL COMPANIES REPRESENTATIVES ALSO PROTESTED, BUT THE ONE THAT SEEMED TO HAVE THE MOST IMPACT WAS THE LOCAL HEAD OF HISPANOIL, THE SPANISH STATE OIL COMPANY, WHO SAID THAT THEIR RECENT PURCHASE OF A LOCAL COMPANY WITH EXPLORATION RIGHTS WOULD NOT HAVE BEEN MADE IF THEY HAD KNOWN THESE DECREES WERE GOING TO BE ISSUED.

6. WHILE MINISTER DUQUE WAS NOT PARTICULARLY CONFRONTATIONAL, AND THE OIL COMPANIES CERTAINLY MADE THEIR POSITIONS CLEAR, THE MEETING DOES NOT SEEMED TO LIMITED OFFICIAL USE

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HAVE CHANGED THE SITUATION. OCCIDENTAL'S EXECUTIVE COMMITTEE WILL MEET NEXT WEEK TO DECIDE ON WHAT THEIR NEXT STEPS SHOULD BE.

7. A FIRST PERSON CABLE OUTLINING THE BILATERAL IMPLICATIONS OF THIS DISPUTE FOLLOWS SEPTTEL. GILLESPIE

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